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SUBJECT: HUNGARY: VIEWS ON EU BIOFUELS PACKAGE

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1. (SBU) SUMMARY: Hungary is supportive of EU efforts on biofuels, which are generally in accord with steps Hungary is already taking. However, there are some differing viewpoints between the two ministries principally involved in formulating Hungary's approach to renewable energy. The Energy Ministry considers proposed EU targets achievable for Hungary, but officials at the Ministry of Environment doubt Hungary can meet these objectives without widespread use of second-generation technologies. END SUMMARY.

2. (SBU) Econoffs delivered talking points contained in reftel to Dr. Miklos Poos, Energy Department Director at the newly-formed Ministry of Energy, Transport, and Communication, to Zsuzsanna Bibok, head of the Air, Noise and Transport Unit at the Ministry of Environment and Water, and to her assistant, Mate Kovacs. The Energy Ministry has the lead role in developing Hungary's renewable energy policy and in its coordination at the EU-level, while the Ministry of Environment provides technical input at the inter-ministerial working group level.

3. (SBU) Hungary supports the EU's Renewable Energy Directive which, according to Poos, would mandate that Hungary derive 13 percent of its energy supply from renewables by 2020. Poos says this target is consistent with the 14-15 percent target Hungary's set for itself in its national renewable energy strategy, which was recently approved by Parliament. Moreover, Poos added that an EU promise of roughly three billion euros through 2020 to invest in renewable energy will be a key factor in Hungary's achievement of this objective.

4. (SBU) The two ministries have slightly different views on EU biofuel targets. According to Dr. Poos at the Energy Ministry, Hungary will have no trouble meeting the EU target of 10 percent biofuel in its overall fuel mix by 2020, mainly due to the Hungarian agricultural sector's surplus of corn, rapeseed, and sunflower seed which can be used toward biofuel production. Kovacs agrees that Hungary's agriculture sector is capable of producing enough biofuel to meet this target, but he believes second-generation technology will be essential to reaching this goal. Current Hungarian law requires that petrol contain 4.4 percent biofuel--one of the highest levels in the EU--and 5 percent is the maximum for most cars on the road today. According to Kovacs, the 10 percent target is not attainable without a new fleet of cars with engines built to run on this higher share of biofuel.

5. (SBU) There also appears to be some daylight between the two ministries' views of current EU proposals for greenhouse gas reduction from biofuels. Dr. Poos considers the European Parliament's recommendation of a 60 percent cut in emissions

acceptable and achievable for Hungary. Kovacs, however, is in favor of the European Commission's 50 percent target. He considers the European Parliament's goal too costly for Hungarian companies and unattainable with current technology and rape- and sunflower-based biofuel sources. According to Kovacs, imports of Brazilian sugar-based ethanol could bring the higher target within sight, but this will be subject to the outcome of an ongoing debate within the EU between potential biofuel-producing countries and those more likely to import biofuels over trade restrictions on biofuels from non-EU countries.

16. (SBU) COMMENT: Hungary's depressed agricultural sector is likely to be one of the main beneficiaries of the EU's pending rules on biofuels. Both interlocutors made a point of mentioning Hungary's commercial potential in biofuel production. However, despite the Energy Ministry's confidence in Hungary's ability to meet these renewable energy targets, Hungary continues to argue that the EU should apply a more relaxed standard for overall CO2 emission reductions to the new Central European members based on differences in wealth and emission reductions already achieved between 1990 and 2005. END COMMENT.
Foley